

MINUTES OF THE  
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE  
WEDNESDAY, JANUARY 23, 2008, 2:00 PM  
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair  
Rep. Kory M. Holdaway, Co-Chair  
Sen. Brent Goodfellow  
Rep. Ron Bigelow  
Rep. Mel Brown  
Rep. David Clark  
Rep. Brad Daw  
Rep. John Dougall  
Rep. Kay McIff  
Rep. Curt Webb  
Rep. Chris Johnson  
Rep. Carol Spackman Moss  
Rep. LaWanna "Lou" Shurtliff

Members Absent: Sen. Curtis Bramble  
Sen. Dan Eastman

Staff Present: Spencer Pratt, Fiscal Manager  
Karen Allred, Secretary

Public Speakers Present: Dirk Anderson, Budget Analyst, Governor's Office of Planning and Budget  
Dave Buhler, Interim Commissioner, USHE  
Dave Pershing, Vice President, University of Utah  
Stan Albrecht, President, Utah State University  
Ann Millner, President, Weber State University  
Mark Benson, President, Southern Utah State University  
Scott Wyatt, President, Snow College  
Marvin Dodge, Vice President, Snow College  
Lee Caldwell, President, Dixie College  
Ryan Thomas, President, College of Eastern Utah  
William Sederburg, President, Utah Valley State College  
Cynthia Bioteau, President, Salt Lake Community College

A list of visitors and a copy of handouts are filed with the committee minutes.

1. **Call to Order** -- Committee Co-Chair Rep. Kory Holdaway called the meeting to order at 2:30 pm. Rep. Holdaway thanked the members of the committee who were here on time and welcomed the college presidents and commissioners.
2. **Fiscal Analyst Overview of USHE & UCAT budgets**

Fiscal Manager, Spencer Pratt distributed a Budget Analysis book to the committee and oriented them on its contents. The issues briefs are behind tab 3 and the budget briefs for each of the institutions, Board of Regents, Medical Education Council, and UEN are between tabs 5 and 18. These are all available on line as well. Tab 2 is for the meeting minutes and agendas. Behind tab 22 is a copy of the COBI, (Compendium of Budget Information), and the Board of Regents' and UCAT Board of Trustees 2009 operation budget requests.

Mr. Pratt referred the committee to the USHE budget brief behind tab 5. This budget brief is comprised of the nine traditional institutions of higher learning, the Utah College of Applied Technology, and the State Board of Regents. On page 3 of that brief, is a budget detail table. Each of the briefs have a similar table. This table details the Source of Finance (where the funds are coming from), the Agencies (there is additional information behind the tab for each individual institutions), the Categories of Expenditure, and Other Data (employees and vehicles). It shows where the funds were actually spent in FY 2007, what is appropriated for FY 2008, implemented changes, the combination of the changes ( making the FY 2008 revised column). From the revised figure, the one-time figure is taken out and is reflected in the changes column, and there is also the FY 2009 base budget. We will go through each institution's budget detail individually at other meetings. In tab 16 is the budget brief for the Utah College of Applied Technology. Issues and recommendations are on page 1 and 2, and a budget detail table on page 4.

3. **Governor's overview of USHE & UCAT budget**

Dirk Anderson, Budget Analyst, Governor's Office of Planning and Budget, discussed the packet that was distributed. The packet contains the Governor's budget recommendations for USHE, UCAT, UEN and UMEC, with a table detailing the funding of each of these institutions for FY 2009. An Agency Budget Overview, with a pie chart showing where taxes go for higher education by individual university or college, and the financing of higher education with a pie chart showing the financing of higher education; and also the Governor's goals and initiatives are included in the packet. The last portion of the packet shows the operating budget for higher education.

4. **Approval of Minutes**

**MOTION:** Rep. Johnson moved to approve the minutes of the January 16, 2008.

The vote was unanimous with Rep. Clark absent for the vote.

5. **Regents overview of USHE budget**

Dave Buhler, Interim Commissioner, USHE, discussed a handout that was distributed to the committee containing the FY 2009 USHE Budget Request. Mr. Buhler said that this budget request has unanimous support from all 9 institution presidents, and also from the president of UCAT. USHE provides opportunities for Utahns to become self-sustaining adults through post-secondary training and education and too few Utahns are prepared for, participating in and completing this education. The handout contains tables showing the percent of high school students that are ready for college in biology, algebra, english composition and social sciences; the percentage of Utahns participating in post-secondary education by age category; and the percentage of the population of Utah holding bachelors degrees by age category.

The top priority for USHE is compensation and retention. They would like to have the same compensation package as other State employees and would like 1% of their budget to be used for retention of key faculty and staff members. Other priorities are financial assistance, scholarships, and an educated workforce (teachers, health professions, engineering and science/technology). The institutional priorities are to improve retention and graduation rates, advance STEM disciplines, regional economic development and faculty quality and workloads. The system viability request is for mandated costs and statewide infrastructure, and they are requesting one-time increases and supplemental increases. A compact disc was given along with the handout.

6. **Budget Transfers (USHE Issue Brief -- 12)**

Fiscal Manager Pratt discussed USHE Issue Brief 12 on page 25, behind tab 3 in the budget book. The FY 2009 Base Budget is based upon the FY 2008 appropriations. A change has been requested for Engineering and Science Initiative in the amount of \$3,000,000 appropriated to the State Board of Regents and then distributed to the 9 different institutions, be removed from the Board of Regents line items to each of the individual institutions line items. So it would be removed from the Board of Regents and distributed to the institutions as shown in this budget brief. Also, Utah State University has requested that \$75,000 for O & M be transferred from Brigham City Continuing Education Center to the Education and General line item to more accurately reflect costs incurred and a request for a transfer of one position from the Commissioner's Office to the UCAT Administration office for additional auditing capabilities. Both of these are reflected in the table in this brief.

7. **Budget Transfers (UCAT Issue Brief -- 06)**

Spencer Pratt asked the committee to go to the end of tab 3, to page 11 of the UCAT budget transfers. This is two transfers that affect UCAT. Last year on going funding of \$700,000 for membership growth was provided to the UCAT Central Administration office and then distributed to seven campuses. It has been recommended that it be pulled from the UCAT Central Administration office and given to each of the campuses as indicated in this brief. The other transfer is one position from the Commissioner's Office be given to the UCAT Administration office for additional auditing capabilities.

8. **Non-lapsing Balances (USHE Issue Brief -- 13)**

Mr. Pratt had the committee turn back to the HED Issue Brief on page 27, number 13. He explained that higher education has statutory authority to not lapse the unexpended funds at the end of the year. Any funds left in June are retained in their budget for the next year. The Fiscal Analyst's Office did a report for the Executive Appropriations Committee in the fall, looking at the non-lapsing balances at each of the various agencies. The non-lapsing balances for higher education have consistently grown since FY 2001 until FY 2006. The question then becomes, is the legislature appropriating too much in funds to higher education if their non-lapsing balances are growing to this extent? The Analysts's recommendation is that \$20 million of that \$80 million in one-time funds be used to offset set some of the budget recommendations for one-time funding.

9. **Institutional Response regarding non-lapsing balances**

**USHE** -- Commissioner Buhler distributed a handout to the committee. Mr. Buhler said that there was a Legislative Auditor General Report in 1997 of Higher Education non-lapsing balances. Among its conclusions were these: the uses of non-lapsing balances are one time in nature and reasonable, explanations for growth in fund balances are reasonable, and that a widely used indicator for appropriateness of fund balances suggested that USHE balances were reasonably low compared to the standard. KPMG-Peat Marwick and the National Association of College and University Professionals cite that institutions with a ratio of 2.4 to 6 months of reserves should be considered in good financial condition. USHE has recommended that their institutions have about 5-7% of reserves which represents less than 1 month. The carry forward balances are for working capital and for large projects. In October 2007, Commissioner Kendell communicated to the Executive Appropriations Committee that:

1. working capital accounts of 5-7% of total operating budgets represent good financial management;
2. the size, mission and funding of institutions vary;
3. increases in non-lapsing funds are consistent with increases in overall budgets;
4. retaining funds for more than one budget year is a tool for large budget items that cannot be financed in a single year; and
5. extenuating circumstances for institutions with earmarked dollars for institutional priorities and partnerships.

If the proposal is adopted, the funding implications for USHE would include: loss of earmarked funds for specific projects and institutions dropping below the 5-7% "reasonable" range. There is a table on the back of their handout reflecting USHE's planned uses of their current, non-lapsing balance.

**University of Utah** -- Dave Pershing, Senior V.P of Academic Affairs, U of U distributed a handout to the committee. He explained reasons for balance increases were a lag in spending new funding and deliberate savings. U of U balances are now declining because of major equipment, remodeling and renovations, security upgrades, software upgrades, and enrollment declines. U of U is predicting uncertainties in faculty recruitment, impact of non-resident rule changes, enrollment uncertainties and cuts in medicaid funding. Mr. Pershing reported that their unspent balances are declining rapidly. They are looking ahead to FY 2009 because virtually all of their balances are either committed or at risk. A proposed reduction will be seen as a budget cut and they feel it will teach that saving and planning ahead are bad ideas.

**Utah State University** -- Stan Albrecht, President of USU, introduced Michael Kennedy. A handout was distributed to the committee. Mr. Albrecht reported that USU's non-lapsing funds come from multiple line items and all carry-forward is not the same. USU must balance different state and federal fiscal time lines and use their funds to fulfill USU's unique land-grant mission. They use their non-lapsing funds for the Agricultural Experiment Station, their Utah Water Research Lab and Extension Services. USU is experiencing dramatic growth, therefore, they are using non-lapsing funds for regional campuses and distance education, as well as their general education. USU's non-lapsing balances are decreasing as a percentage of their budget. They have carefully managed these balances and commit to vigorously continue to improve. Any reallocation would have devastating effects on critical parts of USU.

**Weber State University** -- President Ann Millner distributed a handout to the committee. She reported that beginning in 2003, WSU made 3 major financial commitments for which the saving of E&G funding was necessary. The projects are now winding down and carry forward balances are returning to normal, if not below normal. The three projects are:

1. Computer systems, migration and campus IT and infrastructure upgrade
2. Renovating a 50-year-old campus by improving the access and circulation. They are redesigning entrances to buildings for disabled students, and making the entrance to campus safer. They are also improving the outside lighting for safety reasons.
3. Establish reserve for potential self-funding of medical insurance.

**Southern Utah State University** -- Michael Benson, President of SUU introduced Wes Curtis, Assistant to the President, SUU. Mr. Benson reported that most of their carry forward funds were due to enrollment increases. SUU's priorities for use of their funds have been: to give a small incentive package to keep a faculty member from taking a job at another university, for their Spanish program, for three new facilities, to help the Utah Shakespeare Festival get through the summer, to match 32 students in theater off Broadway, and in transfer scholarships.

**Snow College** -- Scott Wyatt, President of Snow College, introduced Marvin Dodge, Vice President of Snow College.

Marvin Dodge expressed appreciation for every dollar that the State of Utah has given them. They receive no federal funds and are dependent on the state. Snow College has used its non-lapsing funds to replace computers, for large equipment at the Richfield campus, and for upgrades, repairs and remodeling needs.

**Dixie College** -- Lee Caldwell, President, Dixie College distributed a handout to the committee. Their non-lapsing funds have revolved around one building, a new Health Science building. It is scheduled to open in April. The college is trying to cover budget shortfalls due to increased costs of materials. All uncommitted funds at Dixie State College are reserved for instruction should enrollment increases require the funding. Their departments routinely hold funds for the regular replacement of equipment and licenses every few years. Dixie was recognized as part of its last audit as being well managed due to its practice of fiscal conservatism.

**College of Eastern Utah** -- Ryan Thomas, President, CEU, introduced Kevin Walthers, Administrative Services Vice President, and distributed a handout to the committee. Mr. Thomas has spent the past seven years that he has been president, slowly getting CEU out of debt. They have been very careful with their funds and now have a positive balance. The priority will now be to focus on buildings.

**Utah Valley State College** -- William Sederburg, President UVSC, introduced Linda Makin, Budget Director, UVSC, and distributed a handout to the committee. He mentioned some of UVSC's history and made four observations. He observed that non-lapsing funds are like a checkbook, that they limit flexibility, they are distributed by plan, and that forced spending isn't good policy. Mr. Sederburg's commitment for use of funds at UVSC is in the university transition, a self-funded benefits reserve, remodeling, technology and equipment.

**Salt Lake Community College** -- Dr. Cynthia Bioteau, President, SLCC reported that the 2006-07 non-lapsing funds were dedicated to:

1. Student Retention Initiative. Tier 2 tuition should not be raised. SLCC uses the non-lapsing funds to cover the essential student tutoring, Outreach program and enrollment effectiveness.
2. Academic program effectiveness.
3. Ongoing institutional commitment
4. Obtaining self-insured medical care
5. Security (locking doors from the inside)

Dr. Bioteau takes her responsibility for fiscal stewardship seriously.

## 10. Committee Business

The committee discussed the non-lapsing funds and the importance that they not grow too large and the importance of developing the attitude of working together. The committee also discussed setting a percentage range in the non-lapsing balance as measured against the institutional operating budget. The committee decided to continue this discussion at a future meeting.

The meeting was adjourned at 4:35 pm.

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Rep. Kory M. Holdaway, Committee Co-Chair

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Sen. Greg Bell, Committee Co-Chair